

Deal May Be Near on Power Plant

Edison is negotiating for a continued supply of coal from a mine on Indian land.

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Southern California Edison Co. is close to reaching a deal with two Indian tribes and the world's largest coal company that would bolster the utility's effort to keep open a Nevada power plant that provides cheap electricity to Southern California — but is a major source of air pollution.

Closed-door talks among Edison, the Hopi and Navajo tribes of northern Arizona and mining giant Peabody Energy Corp. are aimed at resolving water-use issues that threaten the future of Peabody's coal-mining operations on Indian land, tribal leaders said. The Black Mesa mine is the only source of coal for the giant Mohave power plant near Laughlin, Nev., and is a vital pillar of the Hopi economy.

"Essentially, the parties are very near to some agreements" on how best to share the region's scarce water supply and other issues related to the mine, Hopi Chairman Wayne Taylor said.

Ensuring a steady supply of coal and water is crucial to Edison's attempt to keep the 1,580-megawatt plant open despite a court-ordered Jan. 1 deadline requiring the utility to either install costly pollution-control equipment or shutter the 34-year-old generating facility.

Edison declined to discuss details of the negotiations. "We are working hard on all reasonable options that could make possible the continued operation of the plant," the company said in a statement.

Environmentalists, who can veto any deal to keep the plant open, were noncommittal Monday about Edison's efforts. They said the

utility must fulfill its obligations to cut pollution but said they were "open to a viable proposal" that both cleans the air and boosts tribal economies.

To date, Edison has done little to significantly reduce emissions from the plant since settling a lawsuit brought by environmental groups under the U.S. Clean Air Act in 1999.

Until recently, Edison had told the California Public Utilities Commission that it expected to close the Mohave plant at the end of 2005. That also signaled the end of the Black Mesa mine because its only customer is the generating facility.

But on Sept. 26, Edison, a unit of Rosemead-based Edison International, reversed itself, telling the commission that it wanted to keep the plant open or shut it only temporarily.

One reason cited by the utility: Skyrocketing natural gas prices have sharply increased the cost of operating more modern, gas-fired power plants, making power produced by Mohave's coal-burning generators cheaper by comparison.

Edison, which owns 56% of the plant, also noted that regulators were concerned about the reliability of Southern California's supply of electricity. The Mohave plant provides about 7% of the electricity used by the utility's 13 million customers, many of them in Los Angeles, Orange, Riverside and San Bernardino counties.

The remaining plant ownership is split among several utilities, including the Los Angeles Department of Water and Power.

Edison has repeatedly told California regulators that it wouldn't spend the \$1 billion needed for pollution controls and other equipment at the plant until it secured agreements from the Hopis, Navajos and Peabody that would guarantee a long-term supply of coal and water that is required.

Those commitments could be close at hand, Hopi leaders said. They are backing a proposal that would allow Peabody to continue mining

at Black Mesa and would ensure a new source of water to carry the coal to the power plant via a 270-mile slurry pipeline.

Edison and the tribal leaders then hope to persuade the environmental groups to give them a waiver to operate the plant for at least three years until the pollution equipment and pipeline improvements can be completed, Hopi leaders said.

According to data gathered in 2002 and 2003 by the U.S. Environmental Protection Agency, the Mohave plant spewed an average of 19,000 tons of nitrogen oxides, 40,000 tons of sulfur dioxides and 2,000 tons of fine soot a year into the air above Laughlin, a Colorado River resort and gambling town. Emissions from the plant also have contributed to reduced visibility around the Grand Canyon to the east of the plant, environmentalists said.

Environmentalists accuse Edison of sending mixed signals to the Indians, California regulators and the plaintiffs who won the consent decree. "They're playing a game of chicken up to the end of this pending deadline," said Rob Smith of the Sierra Club in Phoenix.

Environmentalists remain frustrated at what they describe as Edison's six years of foot-dragging, said Roger Clark of the Grand Canyon Trust in Flagstaff, Ariz. Nevertheless, he said his group would be "happy to listen" to any proposal from the utility.

"Our hope is that we can find a solution that not only cleans up the pollution but also leaves the tribes in a much stronger economic position in the future," he said.

Rob Hammond, Peabody's Southwest group executive, declined to comment on the talks. Navajo leaders didn't return calls seeking comment.

Hopi leaders said they wanted to protect the environment but needed an extension of the pollution-control deadline to make sure that tribal economies weren't harmed by even the temporary loss of coal royalties and, in the Navajo's case, hundreds of high-paying jobs at the Peabody mine.

What's more, the development of a new source of water for the mine from an underground aquifer about 100 miles south of the Peabody open pit could be crucial to economic development of the 7,000-member Hopi tribe and the 250,000-member Navajo Nation.

The Hopi, a tribe of farmers and artisans that has lived on the same desert mesas for the last 1,000 years, has a 50% unemployment rate. A shutdown at the mine would suck as much as 40% out of the \$20-million Hopi operating budget for 2006.

"This could be disastrous for the tribe," said Taylor, the chairman. "We can be considered today as an endangered species."

The environmentalists are sympathetic but remain distrustful of Edison.

"We are unwilling to excuse further violations of the law," they told the tribes in a May 25 letter signed by representatives of the Grand Canyon Trust, the Sierra Club and the National Parks Conservation Assn.

Consumer advocates said that closing down the Mohave plant shouldn't leave Edison short of power because the utility would open its new gas-fired, 1,054-megawatt Mountainview power plant in Redlands early next year.

And even if it's retrofitted, the plant at most can operate only 20 more years, said Bill Marcus, a consultant for the Utility Reform Network, a San Francisco-based ratepayers' advocate. Edison's permit to take water from the Colorado River to operate the generators expires in 2026, he said.

The best scenario would be for Edison to give up trying to keep Mohave open and, instead, invest in alternative energy projects and transmission lines that would help the Hopi and Navajo exploit their potentially abundant wind and solar power resources, said Clark of the Grand Canyon Trust.

"With California wanting to invest in cleaner forms of energy," he said, "why buy another 20 years of inefficient, old coal-fired generation?"